

March 19, 2003

Chief of Records
A TTN Request for Comments
Office of Foreign Assets Control
Department of the Treasury 1500
Pennsylvania Avenue, NW
Washington, DC 20220

Re: Economic Sanctions Enforcement
Guidelines

Dear Sir/Madam:

Navy Federal Credit Union appreciates the opportunity to comment on the Office of Foreign Assets Control (OFAC) of the U.S. Department of Treasury's request for comments on its updated version of its internal Economic Sanctions Enforcement Guidelines (Guidelines). Navy Federal supports OFAC's efforts to administer and enforce sanctions against targeted foreign countries, terrorists, and narcotic traffickers.

OFAC's proposed Guidelines are flexible and fair. We commend OFAC for its practice of reviewing the totality of circumstances when deciding on a penalty. We believe the proposed lists of mitigating and aggregating factors are appropriate and we applaud OFAC's decision not to make either of these lists exhaustive.

To encourage voluntary reporting, OF AC proposes that parties who voluntarily report their own violations would receive a reduction of *at least* 50% of the proposed penalty. OF AC believes this reduction could motivate some financial institutions to voluntarily report. However, we believe 50% of a potentially high penalty amount may still be a significant disincentive. We recommend that OF AC not impose a penalty for voluntarily reporting first offenses and at least a 50% percent reduction for voluntarily reporting subsequent violations. We believe that low penalties for voluntary reporting will increase the overall availability and timeliness of useful information and, consequently, further the goals of OFAC.

We urge OF AC to consider the practicality of requiring a financial institution to compare the names of individuals involved in certain transactions against the Specially Designated Nationals (SDN) and Blocked Entities list. In particular, it is highly impractical for a financial institution to review every paper check to make sure that the payee and third party endorser, if any, are not listed on OFAC's SDN and Blocked Entities list. To fully comply with OF AC's regulation, financial institutions have to manually review the front and back of each check and, in some

Chief of Records

Page 2

March 19, 2003

cases, take steps to verify the identity of the individuals listed on the check. Lengthy manual reviews result in significant processing delays. We recommend that OFAC issue guidance that relieves financial institutions from complying with OFAC's rules when compliance is highly impractical.

If you have any questions concerning our comments, you may contact me at (703) 255-8201, or Bill Briscoe, Assistant Vice President, Regulatory Compliance, at (703) 255-7496.

Sincerely, 

B. L. McDonnell

President

BLM/scs